

## Message Text

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PAGE 01 STATE 018531

43

ORIGIN AF-18

INFO OCT-01 ISO-00 EB-11 L-03 SS-20 INR-10 SPC-03 RSC-01

/067 R

DRAFTED BY AF/W:RKSSHERWOOD:BA

APPROVED BY AF/W-JOHN L. LOUGHRAN

AF-RSSMITH (DRAFT)

----- 121030

R 291427Z JAN 74

FM SECSTATE WASHDC

TO AMEMBASSY COTONOU

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STADIS////////////////////////////////////

E.O. 11652: N/A

TAGS: BGEN, ENRG, DM, US

SUBJ: LITWIN APPLICATION TO EXIM

1. IT NOW LOOKS LIKELY THAT EXIM WILL TURN DOWN LITWIN APPLICATION FOR LOAN FOR REFINERY IN COTONOU. EXIM BOARD HAS IN FACT DECLINED IT, ALTHOUGH ACTING DIRECTOR WALTER SAUER TOLD LITWIN OFFICIALS JANUARY 25 HE WOULD RAISE MATTER WITH BOARD AGAIN WEEK OF JANUARY 28 BUT WITHOUT OFFERING ANY HOPE THERE WOULD BE A CHANGE OF HEART.

2. LITWIN OFFICERS DOLL-STEINBERG AND MIZRAHI SAW BOB SMITH, JOHN LOUGHRAN AND BOB SHERWOOD ON JANUARY 23, MET WITH WORKING LEVEL EXIM OFFICIALS ON JANUARY 24 (MALLOY), AND SPENT AN HOUR ON JANUARY 25 WITH SAUER. THEY HAD AMPLE OPPORTUNITY TO MAKE THEIR POINTS. MIZRAHI ALSO TOLD SHERWOOD THAT LITWIN PRESIDENT LEVINE WOULD BE COMING TO SEE SAUER ON JANUARY 30. MEANTIME EXIM SHOULD BE SENDING MESSAGE TO KOBELINSKI SO HE WILL BE BRIEFED BEFORE HIS ARRIVAL IN COTONOU ABOUT FEBRUARY 7.

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PAGE 02 STATE 018531

3. SHERWOOD CONVERSATIONS WITH MIZRAHI AND EXIM OFFICIAL MALLOY INDICATED SOME DIVERGENCE OF EMPHASIS ON THEIR JANUARY 24 CONVERSATION BUT BASIC PICTURE EMERGED THAT THE ENERGY CRISIS IS FORCING THE EXIM TO LOOK VERY HARD AT REFINERIES, PETROLEUM EXPLORATION EQUIPMENT, AND OTHER EQUIPMENT ASSOCIATED WITH ENERGY CRISIS. MALLOY REMARKED,

WE ARE UNDER PRESSURE TO REDUCE FINANCING OF REFINERIES". WE UNDERSTAND THAT THE NATIONAL ADVISORY COUNCIL - WHICH PASSES ON EXIM LOANS - AND THE NEWLY ESTABLISHED FEDERAL ENERGY OFFICE ARE IN DEBATE ON WHERE MIGHT BE BEST LOCATION FOR REFINERIES - I.E. IN US OR ELSEWHERE - AND RELATED QUESTIONS. END OF THIS DEBATE NOT YET IN SIGHT.

4. EXIM AND LITWIN HAVE NOT AGREED ON EQUITY QUESTION. WHILE LITWIN WILLING RAISE ADDITIONAL ONE HALF MILLION DOLLARS AND WOULD URGE MRGD DO SAME THIS STILL WOULD NOT, AS WE UNDERSTAND IT, BRING THEIR EQUITY UP TO LEVEL EXIM WANTS - DOLS 5 MILLION. EXIM OFFICIAL ALSO EXPRESSED SOME DOUBTS ABOUT CRUDE SUPPLY ARRANGEMENTS AND CERTAIN UNSPECIFIED "CASH FLOW" PROBLEMS. WE DO NOT HAVE IMPRESSION HOWEVER THAT THESE OBJECTIONS ARE AS IMPORTANT AS THE BOARD POLICY MATTERS UNDER DEBATE.

5. DOLL-STEINBERG OF LITWIN SAID THE BRITISH EXPORT GUARANTEE AGENCY (ECGG) HAS OFFERED MORE ADVANTAGEOUS TERMS THAN EXIM IN SENSE THAT IT LENDS FOR FULL AMOUNT OF UK EQUIPMENT PLUS SOME OF LOCAL COSTS AT RATE OF 7 PERCENT WHILE EXIM WOULD LOAN FOR 45 PERCENT OF US EQUIPMENT NEEDS AT 6 PERCENT AND US BANKS WOULD LEND 45 PERCENT AT GOING RATE WHICH OF COURSE MUCH HIGHER - 10 TO 11 PERCENT. NONETHELESS THE BETTER TERMS WHICH PREVAIL IN UK DO NOT APPEAR TO OFFSET OTHER CONSIDERATIONS ON LITWIN'S MIND, AND ITS OFFICIALS ARE KEENLY DISAPPOINTED IN EXIM'S NEGATIVE RESPONSE. IN THIS REGARD WE HAVE IMPRESSION FROM EXIM OFFICIALS THAT ONE OF THE BANK'S RAISON D'ETRE OF MATCHING OR BEATING FOREIGN COMPETITORS EXPORT CREDIT TERMS NO LONGER HAS IMPORTANCE IT ONCE DID IN VIEW OTHER DEVELOPMENTS SUCH AS TREND TO FAVORABLE US BALANCE OF PAYMENTS. MOREOVER THERE HAS BEEN CRITICISM OF EXIM FOR LIMITED OFFICIAL USE

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PAGE 03 STATE 018531

EXTENDING "CONCESSIONAL" LOANS TO SOME US COMPANIES WHICH COULD CERTAINLY OBTAIN ALL THEIR FINANCING FROM US PRIVATE BANKS (THIS CRITICISM WOULD NOT NECESSARILY APPLY TO LITWIN'S CASE OF COURSE).

6. REGARDING ATTITUDE TOWARD PRELIMINARY COMMITMENT ("PC") BY EXIM, LITWIN OF COURSE AGUES THAT EXIM IS SHOWING LACK OF GOOD FAITH IN TURNING DOWN THE PROPOSAL,

WHILE EXIM OFFICIALS ARGUE THAT THERE IS NOTHING SACRED  
ABOUT PC AND REFER TO POINTS OF PARA 4 ABOVE. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BANK LOANS, REFINERIES, EXPLOITATION (NATURAL RESOURCES), EXCAVATING EQUIPMENT, BALANCE OF PAYMENTS TRENDS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 29 JAN 1974  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974STATE018531  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** RKSHERWOOD:BA  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t1974018/aaaaahfu.tel  
**Line Count:** 117  
**Locator:** TEXT ON-LINE  
**Office:** ORIGIN AF  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** STADIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** STADIS  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 27 AUG 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <27 AUG 2002 by boyleja>; APPROVED <04-Sep-2002 by MorefiRH>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** LITWIN APPLICATION TO EXIM  
**TAGS:** BGEN, ENRG, DM, US, EXIM  
**To:** COTONOU  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005